

Oversight Report



REPORT ON QUALITY CONTROL REVIEW
OF DEFENSE CONTRACT AUDIT AGENCY AND
KPMG LLP OFFICE OF MANAGEMENT AND BUDGET
CIRCULAR A-133 AUDIT REPORT OF SRI INTERNATIONAL,
FISCAL YEAR ENDED DECEMBER 25, 1999

Report Number D-2002-6-003

January 14, 2002

Office of the Inspector General
Department of Defense

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Acronyms

DCAA	Defense Contract Audit Agency
DCMA	Defense Contract Management Agency
GAS	Government Auditing Standards
OIG	Office of the Inspector General
OMB	Office of Management and Budget



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

January 14, 2002

Controller
SRI International

Partner
San Francisco Office
KPMG LLP

Branch Manager
Silicon Valley Branch Office
Defense Contract Audit Agency

SUBJECT: Oversight Report on Quality Control Review of Defense Contract Audit Agency and KPMG LLP Office of Management and Budget Circular A-133 Audit Report of SRI International, Fiscal Year Ended December 25, 1999 (Report No. D-2002-6-003)

We are providing this report for your information and use. The Defense Contract Audit Agency (DCAA) and the firm of KPMG LLP performed the single audit for SRI International, located in Menlo Park, California. The audit is required by the Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" (Circular A-133). SRI International, an independent non-profit research institute, provides science and business based research. SRI International expended \$131.4 million in Federal awards under the Research and Development cluster during the fiscal year ended December 25, 1999. Of the \$131.4 million, \$92.0 million was expended for DoD research programs.

Quality Control Review Objective. As the cognizant Federal agency for SRI International, the Office of the Inspector General (OIG), DoD, performed a quality control review to determine whether the FY 1999 report that SRI International submitted to the Single Audit Clearinghouse met the applicable reporting standards and OMB Circular A-133; and whether KPMG LLP and DCAA conducted the audit as required by applicable standards and OMB Circular A-133. See Appendix A for a discussion of the scope, prior quality control reviews related to DCAA and KPMG LLP, and single audit requirements.

Review Results. KPMG LLP complied with OMB Circular A-133 in performing the financial statement audit. DCAA generally complied with OMB Circular A-133 in performing the audit of internal controls and compliance requirements, except auditors did not properly review work performed by technical specialists to ensure that it was adequately performed to answer the audit objectives for three of nine applicable compliance requirements (Eligibility, Procurement and Suspension and Debarment, and Sub-recipient Monitoring) (Finding A). Also, DCAA auditors did not properly plan and document the OMB Circular A-133 audit (Finding B). SRI International complied

with all OMB Circular A-133 reporting requirements, except the Schedule of Expenditures of Federal Awards did not identify sub-recipient and pass-through expenditures, and the Corrective Action Plan did not specify a planned completion date or point of contact (Finding C).

Finding A. Oversight of Work Performed by Technical Specialists. DCAA auditors did not ensure that work performed by Defense Contract Management Agency (DCMA) technical specialists adequately answered the objectives of the assigned compliance requirements. This condition occurred because DCAA auditors did not follow the requirements in the DCAA Contract Audit Manual related to using the work of technical specialists. As a result, DCAA auditors relied on work performed by technical specialists that may not have answered the compliance requirement objectives.

The DCAA Contract Audit Manual states:

"To satisfy certain of the requirements [related to evaluation of work performed by others], access to working papers is required. Accordingly, make arrangements to ensure that working papers will be available. Evaluation of the work product should be based on a comparison of the audit steps the DCAA auditor believes are necessary to those that are performed. If the DCAA auditor concludes that audit program steps essential to developing evidence to support an unqualified opinion have not been performed, those additional steps must be performed by the auditor before issuing an audit report." The Contract Audit Manual also states that when a technical specialist is used, "It is the auditor's responsibility to examine the technical evaluation report to ensure a reasonable understanding of the *actual* work performed. The auditor's working papers must document (1) the auditor's understanding of the actual work performed, and (2) the degree of reliance the auditor placed on the technical evaluation, including its impact on the results of audit."

DCAA, KPMG LLP, and DCMA effectively coordinated the audit approach, including determining which organization was responsible for auditing SRI International's compliance with each requirement in OMB Circular A-133 Compliance Supplement. However, DCAA auditors did not conduct adequate follow-up work to ensure that the work performed by DCMA personnel met the objectives of the assigned compliance requirements (Eligibility, Procurement and Suspension and Debarment, and Sub-recipient Monitoring) and could be relied on for the OMB Circular A-133 audit. The report provided by DCMA to DCAA did not address the objectives in the compliance supplement for the assigned areas. For example, SRI International passed-through \$43.7 million to sub-recipients during FY 1999. The compliance requirements for Sub-recipient Monitoring state that the auditor must determine whether the pass-through entity (SRI International) monitored its sub-recipients' activities to provide reasonable assurance that the sub-recipient administered Federal awards in compliance with requirements. The DCMA report provided to DCAA as support for the compliance of SRI International with the requirements for Sub-recipient Monitoring discusses the policies and procedures related to contract negotiations that SRI International has in place, but not whether SRI International actually monitored its sub-recipients. DCMA personnel stated that they used data from a Contractor Purchasing System Review (CPSR) conducted in FY 1998 to determine if SRI International was managing their systems "adequately" in the context of the assigned compliance requirements. The CPSR does not specifically address the issue of sub-recipient monitoring, and does not provide enough information to make a determination whether the recipient is

monitoring the OMB Circular A-133 compliance of its sub-recipients. DCMA personnel did not perform any additional work to answer the objectives of the compliance requirements. In addition, DCMA personnel did not document any summaries or conclusions on the CPSR data that was used to develop the report provided to DCAA.

DCAA auditors relied on the work performed by DCMA personnel because the lead DCMA reviewer was considered an “expert” in his field. DCAA did not review the documentation of the work performed by DCMA personnel in order to gain knowledge of the actual work performed and results obtained, as required by DCAA guidance. As a result of our review, DCAA personnel conducted discussions with DCMA personnel and the Administrative Contracting Officer regarding the work program that was used by DCMA. Based on a comparison between the DCMA work program and DCAA audit program, DCAA personnel believed that the work performed was adequate.

Recommendation A. We recommend that the Branch Manager, Silicon Valley Branch Office, DCAA evaluate the work performed by technical specialists in accordance with the DCAA Contract Audit Manual to ensure that the technical specialist procedures and assumptions answer the compliance objectives for the assigned areas.

Management Comments. Management concurred with the recommendation. DCAA personnel stated that they will obtain a reasonable understanding of the actual work performed by technical specialists in future audits before relying on their work.

Finding B. Planning and Documenting the FY 1999 OMB Circular A-133 Audit. DCAA auditors did not properly plan and document the OMB Circular A-133 audit of SRI International. Specifically, the DCAA auditors did not:

- use the appropriate OMB Circular A-133 Compliance Supplement;
- properly determine the threshold for major programs at SRI International;
- correctly determine the amount of substantive testing required, based on the results of the risk assessment; and
- adequately document the work performed, to include cross-referencing between detail workpapers and audit conclusions.

This condition occurred because DCAA auditors involved in planning and documenting the audit did not have adequate OMB Circular A-133 training, and did not implement the training they received. In addition, DCAA auditors did not follow other guidance related to OMB Circular A-133 audits (Government Auditing Standards [GAS], and the DCAA Contract Audit Manual). As a result, DCAA did not conduct a thorough audit that provided a reasonable justification for the conclusions on two of nine applicable compliance requirements reported in the FY 1999 OMB Circular A-133 audit report (See Appendix A for a list of the applicable compliance requirements).

OMB Circular A-133 requires that audits be conducted in accordance with GAS, and that the audits meet certain OMB Circular A-133 requirements. DCAA auditors did not meet these requirements in the following areas:

Appropriate Compliance Supplement. DCAA auditors used the March 2000 OMB Circular A-133 Compliance Supplement to conduct the SRI International FY 1999 OMB Circular A-133 audit. The correct Compliance Supplement for FY 1999 audits under OMB Circular A-133 was issued in April 1999. The April 1999 Compliance Supplement was effective for audits of fiscal years beginning after June 30, 1998; SRI International’s FY 1999 began December 26, 1998.

Determination of Major Programs. During their determination of major programs, DCAA auditors used the lesser of three percent of total Federal expenditures or \$3 million as the threshold for Type A programs. OMB Circular A-133 requires auditors to use the greater of three percent of total Federal expenditures or \$3 million (for auditees whose Federal awards expended exceed \$100 million but are less than or equal to \$10 billion).

Determination of Substantive Testing. During the risk assessment, DCAA auditors concluded that the overall risk was “moderate,” and that increased substantive testing was warranted. However, because SRI International offered a \$4 million voluntary deletion, DCAA auditors determined that any potential questioned costs they found would be less than that, so the increased substantive testing was not performed. Although this logic makes sense for compliance requirements that involved potential questioned costs (for instance, Allowable/Unallowable Costs, or Cost Principles); it does not reduce the risk of non-compliance for requirements that are not cost driven, such as Sub-recipient Monitoring and Special Tests and Provisions. Therefore, DCAA should not have decreased the substantive testing for the non cost-related compliance requirements based on the SRI voluntary deletion.

Documentation of Work Performed. DCAA did not adequately document the work performed during the FY 1999 audit, including references of audit conclusions to the detail working papers that supported the conclusions. The GAS state that working papers serve three purposes: provide principal support for the auditors’ report; aid the auditors in conducting and supervising the audit; and allow others to review the audit’s quality. During extensive discussions with DCAA auditors, we found that many of the conclusions reached during the FY 1999 audit were based on work performed during the FY 1998 OMB Circular A-133 audit and other previous assignments. However, the working papers written during the FY 1999 audit did not provide an audit trail to the audit assignments or specific working papers used to support their conclusions during the FY 1998 audit. In addition, DCAA auditors did not adequately document the materiality decisions for individual compliance requirements within the major program (Research and Development Cluster). GAS requires working papers to document the work performed to support significant conclusions. Determinations regarding the materiality of compliance requirements for the FY 1999 OMB Circular A-133 audit were documented on a working paper that consisted of a table with “Yes” or “No” written in for each compliance requirement. There were no explanations for the conclusions. Therefore, we could not determine the criteria or the basis for conclusions. As a result of our review, DCAA auditors agreed to better document the support for audit conclusions.

DCAA auditors involved in planning and supervising the FY 1999 OMB Circular A-133 audit did not receive adequate training in conducting OMB Circular A-133 audits. Two members of the audit team received formal training in conducting OMB Circular A-133 audits from DCAA Headquarters. The two members provided information received during this training to the rest of the team who conducted work during the FY 1999 OMB Circular A-133 audit of SRI International. However, members of the team stated that, in some cases, they did not understand the requirements of the guidance. In addition, DCAA relied on work performed during other audit assignments to fulfill many OMB Circular A-133 requirements. However, DCAA auditors did not realize that, in some cases, it was necessary to perform additional work to answer the audit objectives of the FY 1999 OMB Circular A-133 audit. As a result, key aspects of OMB Circular A-133 audits were not performed

correctly during FY 1999. As a result of our review, DCAA auditors agreed to take a closer look at the regulations and guidance related to OMB Circular A-133 audits, and ensure that any conclusions reached are adequately supported.

Conclusion. Without the proper training and guidance necessary to conduct OMB Circular A-133 audits, DCAA auditors failed to properly plan and document the SRI International FY 1999 audit. To prevent this from happening in future audits, DCAA auditors must receive formal training in the performance of OMB Circular A-133 audits, and apply the training to the audit work. In addition, DCAA auditors should perform proper testing of SRI International compliance with internal controls and compliance requirements during the FY 2000 audit, and, based on the results of this testing, determine whether they need to perform additional testing for FY 1999 transactions.

Recommendation B.1. We recommend that the Branch Manager, Silicon Valley Branch Office, DCAA provide training for auditors involved in Office of Management and Budget Circular A-133 audits. We also recommend that DCAA supervisors involved in SRI International audits ensure that all applicable regulations and guidance are followed.

Management Comments. Management concurred with the recommendation. DCAA personnel stated that all but one of the auditors involved in the FY 2000 OMB Circular A-133 audit at SRI International had received training, and that the one remaining auditor was closely supervised.

Recommendation B.2. We recommend that the Branch Manager, Silicon Valley Branch Office, DCAA instruct auditors to perform proper testing of SRI International internal controls and compliance requirements during the FY 2000 Office of Management and Budget Circular A-133 audit. We also recommend that if DCAA auditors performing the FY 2000 audit determine that there are findings related to internal control or compliance requirements, the Branch Manager, Silicon Valley Branch Office, DCAA should determine whether additional testing or a second audit needs to be performed for FY 1999.

Management Comments. Management concurred with the recommendation. DCAA personnel stated that auditors increased their substantive testing during the FY 2000 OMB Circular A-133 audit of SRI International, and concluded that there was a finding related to Sub-recipient Monitoring. After reviewing the finding as it applied to the FY 1999 audit, DCAA auditors determined that no additional testing was necessary.

Finding C. SRI International reporting to the Federal Clearinghouse on the OMB Circular A-133 audit for FY 1999 was incomplete. Specifically:

- SRI International did not identify expenditures received as pass-through awards in the FY 1999 Single Audit Report. OMB Circular A-133 states that auditees are to prepare a Schedule of Expenditures of Federal Awards. For Federal awards received as a sub-recipient, the auditee shall identify the name of the pass-through entity and identifying number assigned by the pass-through entity. SRI International expended \$27.0 million received from pass-through entities out of \$130.3 million total Federal award expenditures for FY 1999.

- SRI included a corrective action plan to address the deficiencies that the DCAA identified in its audit report; however, the corrective action plan did not specify a planned completion date or a point of contact. OMB Circular A-133 requires auditees to prepare a corrective action plan that provides the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date.

During discussions with SRI International personnel, they indicated that they did not interpret the requirements in the same way as we did. However, they were able to provide the correct information during the review. As a result of our review, SRI International personnel agreed to provide this information in future audit report packages.

Recommendation C. We recommend that in future audits, Controller, SRI International prepare the Schedule of Expenditures of Federal Awards and the Corrective Action Plan in accordance with the Office of Management and Budget Circular A-133.

Management Comments. Management concurred with the recommendation. The Controller, SRI agreed to include the information required by Office of Management and Budget Circular A-133 in future audit report packages.

We appreciate the courtesies extended during the review. If you have questions on this report, please contact Mr. Wayne Berry at (703) 604-8789 or Mr. Martin T. Heacock at (703) 604-8756. Appendix B lists the report distribution. The review team members are listed inside the back cover.



Patricia A. Brannin
Deputy Assistant Inspector General for
Audit Policy and Oversight

Appendix A. Quality Control Review Process

Scope and Methodology

We conducted a quality control review of the DCAA and KPMG LLP audit of SRI International for the fiscal year ended December 25, 1999, and the resulting reporting submission to the Single Audit Clearinghouse on September 29, 2000 (Project No. D2001-OA-0108). We performed our review using the 1999 edition of the “Uniform Quality Control Guide for OMB Circular A-133 Audits” (the Guide). The Guide applies to any single audit that is subject to the requirements of OMB Circular A-133, revised June 24, 1997. The Guide is the approved checklist of the President’s Council on Integrity and Efficiency for performing quality control reviews. Our review was conducted from April 2001 through December 2001 and covered areas related to the financial statements and the one major program, research and development. As the cognizant audit agency for SRI International, we focused our review on the following qualitative aspects of the single audit:

- qualification of auditors
- independence
- due professional care
- quality control
- planning and supervision
- internal controls and compliance testing
- Schedule of Expenditures of Federal Awards
- Schedule of Findings and Questioned Costs
- Data Collection Form

In conducting the review, we reviewed all working papers prepared by DCAA and KPMG LLP auditors, discussed the audit with the auditors and SRI International cognizant personnel, and reperformed selected audit procedures.

Prior Quality Control Reviews

Since 1997, we have issued eight quality control reviews of DCAA, and four quality control reviews of KPMG LLP. We have also issued four quality control reviews of audits performed jointly by DCAA and KPMG LLP. Copies of these reports may be obtained by accessing the Defense Inspector General web page at www.dodig.osd.mil.

Single Audit Requirements

OMB Circular A-133 establishes policies to guide implementation of the Single Audit Act of 1996 (Public Law 98-502) amendments and provides an administrative foundation for uniform audit requirements for non-Federal entities that administer Federal awards. In addition, OMB Circular A-133 serves to ensure that Federal departments and agencies rely on and use the audit work to the maximum extent practicable. To meet the intent of the law and OMB Circular A-133, a complete reporting package on each single audit is submitted to the Single Audit Clearinghouse from the auditee (non-Federal entity). The reporting package includes the following:

- Data Collection Form certified by the auditee that the audit was completed in accordance with OMB Circular A-133;
- financial statements and related opinion;
- Schedule of Expenditures of Federal Awards and related opinion;
- report on internal controls over compliance and on compliance with laws, regulations, and the provisions of contracts or grant agreements, and related opinion on compliance of major programs; and
- Schedule of Findings and Questioned Costs.

OMB also issues a Compliance Supplement (the Supplement). The Supplement assists the auditors in determining the audit scope of OMB Circular A-133 requirements for review of internal control. For each compliance requirement, the Supplement describes the objectives of internal control and certain characteristics that, when present and operating effectively, may ensure compliance with program requirements. The Supplement gives examples of the common characteristics for the five components of internal controls (control environment, risk assessment, control activities, information and communication, and monitoring) for each compliance requirement. The following 14 compliance requirements applicable to various Federal programs are identified in the Supplement:

A. Activities Allowed/Unallowed*	H. Period of Availability of Federal Funds*
B. Allowable Costs/Cost Principles*	I. Procurement and Suspension and Debarment*
C. Cash Management	J. Program Income
D. Davis-Bacon Act	K. Real Property Acquisition/Relocation Assistance
E. Eligibility of Federal Funds*	L. Reporting
F. Equipment and Real Property Management*	M. Sub-recipient Monitoring*
G. Matching, Level of Effort, Earmarking*	N. Special Tests and Provisions*

* Identifies those compliance requirements applicable to SRI International, as determined by DCAA during the FY 1999 OMB Circular A-133 audit.

Appendix B. Report Distribution

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Defense Contract Audit Agency Comments



DEFENSE CONTRACT AUDIT AGENCY
DEPARTMENT OF DEFENSE
8725 JOHN J. KINGMAN ROAD, SUITE 2135
FORT BELVOIR, VA 22060-6219

IN REPLY REFER TO

PQA 225.4 (D2001-OA-0108)

December 7, 2001

MEMORANDUM FOR DEPUTY ASSISTANT INSPECTOR GENERAL, AUDIT POLICY
AND OVERSIGHT, DEPARTMENT OF DEFENSE, INSPECTOR
GENERAL

SUBJECT: DCAA Comments on the Discussion Draft of DoDIG Report on the Quality Control
Review of SRI International's FY 1999 OMB Circular A-133 Audit, Project No.
D2001-OA-0108

Thank you for the opportunity to respond to the discussion draft report. The subject report provides the results of your office's quality control review of the OMB Circular A-133 audit performed at SRI International for fiscal year (FY) 1999. KPMG LLP and DCAA performed the audit on a coordinated basis.

DCAA concurs with the three recommendations presented in the subject report. Enclosed are our comments to each of the six discussion draft quality control findings supporting your three recommendations. We will ensure that future fiscal year audits at SRI International include consideration for each of the reported findings.

If you have any questions, please contact me at (703) 767-3280 or Marc Parvin, Program Manager at (703) 767-2250. Our e-mail addresses are larry.uhlfelder@dcaa.mil and marc.parvin@dcaa.mil.

Robert D. Mues
For Lawrence P. Uhlfelder
Assistant Director
Policy and Plans

Enclosure:
Western Region Response Dated Dec 7, 2001

WESTERN REGION
DEFENSE CONTRACT AUDIT AGENCY
16700 VALLEY VIEW AVENUE, SUITE 300
LA MIRADA, CALIFORNIA 90638-5833

RQA-4 225.4

December 7, 2001

MEMORANDUM FOR DEPUTY ASSISTANT INSPECTOR GENERAL FOR AUDIT
POLICY AND OVERSIGHT, AUD/APO, ROOM 746,
400 ARMY NAVY DRIVE, ARLINGTON, VA 22202-2885

SUBJECT: Response to Discussion Draft of a Proposed Report on Quality Control Review of
OMB Circular A-133 Audit of SRI International for Fiscal Year (FY) Ended
December 25, 1999, DoDIG Project No. D2001-OA-0108

Thank you for the opportunity to respond to the referenced discussion draft report. Although we agree with the three recommendations, we offer the following comments on the issues raised in the subject discussion draft report:

1. Oversight of Work Performed by Technical Specialists

Your concern is whether we performed sufficient effort to ensure that we could place reliance on the work of Defense Contract Management Agency (DCMA) technical specialists reviewing SRI's purchasing system.

In response to your initial concerns several months ago, we coordinated with both the DCMA Contractor Purchasing System Review (CPSR) Team Captain and the Administrative Contracting Officer and reviewed applicable working papers prepared by the CPSR team. Additionally, the CPSR team performed its triennial review in FY 2001 using FY 2000 data. Between our FY 2000 audit effort and assessment of the CPSR team's effort, we performed some additional audit effort during our A-133 audit for FY 2000 which resulted in a finding related to compliance requirement M, Sub-recipient Monitoring. While this finding has applicability to FY 1999, in our opinion, it would serve no useful purpose to supplement our FY 1999 audit report. The finding is procedural in nature, primarily affects contract closings and is being addressed by SRI. We included documentation of this assessment in our FY 1999 working papers.

In future audits, we will obtain a reasonable understanding of the actual work performed before relying on the work of the government technical specialist.

2. Use of Appropriate Compliance Supplement

The auditors relied on the March 2000 OMB Circular A-133 Compliance Supplement rather than the April 1999 Compliance Supplement which was appropriate for the year being audited. We compared the April 1999 and March 2000 Compliance Supplements and found there were no substantive differences between the two supplements that would have impacted our audit. Therefore, our use of the March 2000 Compliance Supplement had no impact on our audit.

Enclosure

RQA-4 225.4

SUBJECT: Response to Discussion Draft of a Proposed Report on Quality Control Review of
OMB Circular A-133 Audit of SRI International for Fiscal Year (FY) Ended
December 25, 1999, DoDIG Project No. D2001-OA-0108

3. Determination of Major Programs

The auditors did compute an incorrect threshold for determining major programs. However, SRI's effort is primarily research. Therefore, the auditors appropriately classified all of SRI's government work as one program, a Research and Development Cluster. Thus, use of an incorrect threshold had no impact on our audit.

4. Level of Substantive Testing

You raised concerns about our level of substantive testing for three of the nine compliance requirements (Sub-recipient Monitoring, Special Tests and Provisions, and Reporting). We reduced our level of substantive testing for the audit because SRI offered a \$4 million voluntary reduction to incurred indirect expenses. However, since these three compliance requirements cover both qualitative and quantitative aspects, the concern was whether or not a monetary reduction was sufficient basis to reduce substantive testing for qualitative requirements. We will ensure that future A-133 audits include proper testing of SRI internal controls and compliance for all applicable compliance requirements. In addition, we offer the following comments:

a. Sub-recipient Monitoring and Special Tests and Provisions

We increased our substantive testing during our FY 2000 audit and, based on the results of that audit, and as discussed in paragraph 1 above, we do not believe that additional audit work or a supplemental report is warranted for the FY 1999 audit.

b. Reporting

It appears that your concern should not encompass the Reporting compliance requirement. On Page 9 of your discussion draft you acknowledge that this requirement is one of five compliance requirements that were not applicable to SRI in FY 1999.

5. Documentation of Work Performed

We agree the working paper documentation could have been better in the FY 1999 working papers. We will improve documentation to support our audit conclusions in working papers for future audits. We believe the working paper documentation for our FY 2000 audit is sufficient based on incorporating DoDIG suggestions we received during the field visit in this audit.

6. Training

We agree that all auditors with significant involvement in the OMB Circular

Removed
the word
Reporting.

Enclosure

RQA-4 225.4

SUBJECT: Response to Discussion Draft of a Proposed Report on Quality Control Review of
OMB Circular A-133 Audit of SRI International for Fiscal Year (FY) Ended
December 25, 1999, DoDIG Project No. D2001-OA-0108

A-133 audit should receive training on OMB Circular A-133. For the FY 2000 audit all but one auditor assigned to the audit received the training. The one auditor was closely supervised and the work was peer reviewed by an auditor who was trained on A-133 requirements.

Thank you again for working with our FAO on the findings and the opportunity to comment on the discussion draft report. If you have any questions, please contact Mr. Rod Beavers, Silicon Valley Branch Office Manager, at (408) 523-5000, or Mr. Harry Lorsbach, Chief, Regional Quality Assurance Division, at (510) 742-2123. Our email addresses are dcaa-fao4291@dcaa.mil and harry.lorsbach@dcaa.mil.

/s/ Patricia A. Ferrer
/for/ WILLIAM R. SERAFINE
Regional Director

Copy furnished:
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Enclosure

SRI International Comments

Final Report
Reference

Rainey, Laura A.

From: Byron P Rovegno [byron.rovegno@sri.com]
Sent: Thursday, December 06, 2001 1:00 AM
To: Laura Rainey
Subject: Discussion Draft



Card for byron
rovegno

Although it is late on 12/5 here in California, I am replying timely to the discussion draft you sent. [It has been a long day!]

I have the following comments:

Regarding the second bullet in the Finding C, DCAA knows that I am the point of contact and I periodically discuss our schedule and progress with them. This level of detail has not been provided to the Clearinghouse as part of our report. Results achieved are clear when subsequent A-133 reports are submitted and the corrective actions taken clear issues previously noted.

The last paragraph in the Finding C should state:

"During discussions with SRI International personnel, they indicated that they did not interpret these requirements in the same way as the auditor. Nevertheless, as a result of our review, SRI International has agreed to provide this information to the auditor and will include in future audit report packages the proper details related to subrecipient awards. In fact, SRI International provided the subrecipient award information to the auditor during the course of our audit."

Please let me know if you have any questions. Tomorrow is not a good day, but I should be in the office most of the time on friday. My number is 650 859-4304.

Revised

Review Team Members

The Deputy Assistant Inspector General for Audit Policy and Oversight, Office of the Assistant Inspector General for Auditing, DoD, prepared this report. Personnel of the Office of the Inspector General, DoD, who contributed to the report, are listed below.

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